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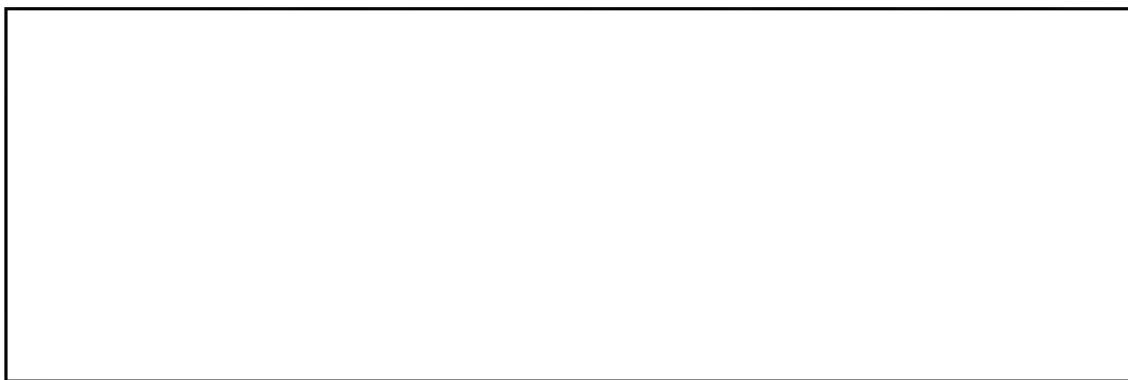
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CENTRAL INTELLIGENCE AGENCY



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State Department review completed

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SOVIET UNION

1. New Soviet ministry possibly associated with guided missile production:

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The new Soviet Ministry of General Machine Building, formation of which was announced by Moscow radio on 2 April,

will probably control production of military materiel and may possibly undertake or supervise the serial production of guided missiles. The new minister, P. N. Goremykin, has held numerous high posts in the Soviet armaments industries and is one of the founders of the Academy of Artillery Sciences, an organization of prime importance in Soviet weapon research and development.

The Ministry of Defense Industries, of which Goremykin was a deputy minister for at least the last 18 months, was probably the organization charged with over-all control of the missile program. In the past the USSR has set up special organizations to handle the serial production of new weapons. Several recent developments suggest that large-scale production of missiles may be imminent or may actually have commenced.

Current estimates credit the USSR with having the capability to produce, at least in small numbers, certain types of guided missiles, including a surface-to-air missile with a 35,000-yard slant range and a surface-to-surface ballistic missile with a 500-nautical-mile range.

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SOUTHEAST ASIA

2. Faure urges intervention by Bao Dai in South Vietnam:

French premier Faure told Ambassador Dillon on 4 April that intervention by Bao Dai was essential to prolong the truce between the sects and Vietnamese premier Diem. He said that if fighting broke out in Saigon on 6 April, when the present truce is scheduled to lapse, it would end all hope of saving South Vietnam.

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Faure's personal adviser on foreign affairs had earlier told the American embassy that Commissioner General Ely in Saigon feared civil war could not be avoided "unless Bao Dai intervened immediately, not merely with the sects, but with Diem as well." This spokesman denied that the French have abandoned Diem and suggested that the United States, France and Bao Dai might find a way to strengthen Diem's government.

Comment: Bao Dai's "hold over the sects" is largely a myth so far as the Hoa Hao and Cao Dai are concerned. His intervention at this point would reduce Diem's stature in relation to the sects, and hence have the effect of inhibiting the development of a strong nationalist government.

The fate of the Binh Xuyen is more strongly bound up with Bao Dai's position than is that of the other sects. A reported directive from Bao Dai to Diem not to use the Imperial Guard at Dalat in the present crisis may be another indication that the emperor is determined to protect the Binh Xuyen.

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WESTERN EUROPE

4. Adenauer offers immediate deposit of Saar and Paris treaties:
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Chancellor Adenauer has informed French foreign minister Pinay that he is willing to deposit at once the Paris treaties and the French-German accord

on the Saar. Adenauer told Ambassador Conant on 4 April that he had made it clear to the French that the West German Social Democrats' suit challenging the constitutionality of the Saar accord is no excuse for delay in depositing the treaties.

Pinay is reported to have agreed on the need to expedite the depositing of the treaties. He pointed out, however, that Premier Faure had promised the Council of the Republic that France would not deposit the treaties until the French-Saar economic agreement is completed.

Comment: A spokesman for the French foreign minister has informed the American embassy in Paris that the economic agreement with the Saar would be completed in the near future. Adenauer will meet Pinay in mid-April, at which time general problems of Franco-German relations, including the Saar, will be discussed. Agreement on deposit of the Paris treaties may be reached at that meeting.

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LATE ITEM

25X1A 5. Comment on Moscow's note regarding Japanese-Soviet relations:

In its note to the Japanese government on 4 April, Moscow apparently rejected New York as the site of contemplated negotiations on the resumption of Soviet-Japanese relations and reverted to its earlier proposal that such talks be held in either Tokyo or Moscow.

The latest communication made no reference to Moscow's note on 16 February agreeing to 'that site of negotiations which the Japanese government should consider the most suitable.' It also ignored Tokyo's suggestion of New York as a site in its reply of 23 February.

The Soviet government probably feels that it can afford to stall, counting on domestic pressure in Japan to force Hatoyama into negotiations on Soviet terms. The shift from the 16 February position may indicate that Soviet "reasonableness" was primarily an attempt to commit Hatoyama prior to the 27 February Japanese elections.

If the negotiations were held in Tokyo, Moscow would probably try to obtain official status for its unrecognized mission there and thus pave the way for full diplomatic relations without making concessions on broader issues. For this reason, Japanese Foreign Ministry officials do not wish to hold the talks in Tokyo. They also fear that Hatoyama's eagerness for a diplomatic triumph would lead him to interfere in negotiations, and force them to accept unfavorable conditions.

In reporting the Soviet note to Ambassador Allison, Foreign Ministry adviser Tani said that Tokyo was "impossible" as a site and that the Japanese government might propose New York again. Hatoyama, however, may be too far committed to refuse either Moscow or Tokyo.

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THE FORMOSA STRAITS

Report of the IAC Current Intelligence Group for the Formosa Straits Problem

This report is based on information received in Washington up to 1100 hours 5 April 1955.

1. Amplifying reports have confirmed only a minor portion of the apparent total of 39 Chinese Communist vessels in the Matsu area reported yesterday. As 67 hours have elapsed since the initial sighting, it is increasingly likely that the six to eleven LST's reported yesterday were improperly identified.

A build-up of minor naval vessel types, including two LST's, is accepted for the Matsu area.

2. A Chinese Nationalist naval force of one destroyer, two destroyer escorts, and one gunboat reportedly conducted a sweep into the waters some 30 miles northeast of the Matsu islands at dawn on 5 April. This is the first offensive sortie by a Nationalist destroyer since the evacuation of the Tachens. Aggressive employment of Nationalist destroyers could interfere, perhaps decisively, with Chinese Communist naval activity in this area.

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